

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

SCHOOL OFFICIALS

JUNE 30, 2013

Board Members:

Clint Buchholz, President
Jason Pekarek, Vice-President
Michael Bollweg
Kristen Rittel
Steve Peterson
Bruce McCloud
Kathy Zilverberg

Superintendent:

Dr. Frank Palleria

Business Manager:

Mark Chilson

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

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KOHLMAN, BIRSCHBACH & ANDERSON, LLP

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

School Board

Highmore-Harrold School District No 34-2

Hyde County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Highmore-Harrold School District No 34-2, South Dakota, as of June 30, 2013, and for the year then ended, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 12, 2014, which was adverse because there was no adequate supporting documentation regarding the cost of general capital assets, enterprise capital assets, and depreciation expense, and because note disclosures required by generally accepted accounting principles were omitted.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as items #2013-01, #2013-02, #2013-03, #2013-04, and #2013-05 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Current Audit Findings as items #2013-01, #2013-03, and #2013-06.

School District's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Kohlman, Bierschbach & Anderson, LLP

May 12, 2014

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

PRIOR FEDERAL AUDIT FINDINGS:

Finding #2012-01

The School District applied for and received \$32,212.87 too much for their 9-16-10 Impact Aid application. This amount along with the prior year's overpayment resulted in the School District owing the U.S. Department of Education \$83,428.93. This finding is restated as current audit finding #2013-01.

PRIOR OTHER AUDIT FINDINGS:

Finding #2012-02

A material weakness was reported for a lack of segregation of duties for cash, revenues, inventory, receivables, capital assets, debt, deferred revenue, equity, payroll, contracts and benefits payable, and trust and agency accounts' receipts and disbursements, which could result in errors not being found in a timely manner. This finding is restated as current audit finding #2013-02.

Finding #2012-03

The listing of land, buildings, and various items of equipment did not provide sufficient documentation to support the amounts reported for general capital assets, enterprise capital assets, and depreciation expense. This resulted in diminished control over capital assets and can result in misleading information being presented to users of the financial statements. This finding is restated as current audit finding #2013-03.

Finding #2012-04

The School District does not have an internal control system designed to provide for the preparation of the annual financial statements including required footnotes and disclosures, in accordance with generally accepted accounting principles, being audited. As auditors, we were requested to draft the financial statements. This comment is restated as current audit finding #2013-04.

Finding #2012-05

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements. This comment is restated as current audit finding #2013-05.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2013

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2013-01

Criteria

An organization's internal control structure should provide for the proper preparation of the application for federal funding.

Condition Found

The School District applied for and received \$32,212.87 too much for their 9-16-10 Impact Aid application. This amount along with the prior year's overpayment resulted in the School District owing the U.S. Department of Education \$83,428.93. In 2013, the School District paid back \$38,343.87, but received \$8,055.37 for ineligible children for a net overpayment of \$53,140.43.

However, during a review, the U.S. Department of Education (DOE) determined the School owed \$231,921.34. This determination was reconfirmed by the DOE on March 27, 2014.

Recommendation

We recommend that the School District contact the U.S. Department of Education (DOE) to determine the payback of the prior years' overpayments or to obtain a computation of the DOE's calculation of the amount owed.

Management's Response

Clint Buchholz is the contact person responsible for the corrective action plan for this comment. He stated, "The Impact Aid Department of Education in Washington D.C. was contacted and the School District submitted new information regarding the last names of eligible children. The School District is disputing the DOE determination and still hoping the payable will be reduced."

Finding #2013-02

Criteria

Internal control can help the School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for cash, revenues, inventory, receivables, capital assets, debt, deferred revenue, accounts payable, equity, payroll, contracts and benefits payable, and trust and agency accounts' receipts and disbursements, which could result in errors not being found in a timely manner. This comment has been carried forward in every audit.

Effect

The School District has only two employees who prepare all accounting records. Therefore, proper segregation of duties cannot be established.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

SCHEDULE OF CURRENT AUDIT FINDINGS

JUNE 30, 2013

(Continued)

Recommendation

We recommend the board take a more active role in their oversight of cash, revenues, inventory, receivables, capital assets, debt, deferred revenue, accounts payable, equity, payroll, contracts and benefits payable, and trust and agency accounts' receipts and disbursements.

Management's Response

Clint Buchholz is the contact person responsible for the corrective action plan for this comment. This comment is a result of the size of Highmore-Harrold School District No 34-2 which precludes staffing at a level sufficient to provide an ideal environment for internal controls. Highmore-Harrold School District No 34-2 has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for cash, revenues, inventory, receivables, capital assets, debt, deferred revenue, accounts payable, equity, payroll, contracts and benefits payable, and trust and agency accounts' receipts and disbursements. Highmore-Harrold School District No 34-2 is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding cash, revenues, inventory, receivables, capital assets, debt, deferred revenue, accounts payable, equity, payroll, contracts and benefits payable, and trust and agency accounts' receipts and disbursements continues to exist.

Finding #2013-03

Criteria

The school district accounting manual prepared by the State of South Dakota Department of Legislative Audit states "Schools have a substantial investment of tax dollars in the various lands, buildings, equipment and other assets owned by them. The responsibility of stewardship involved in safeguarding such a large investment is of the utmost importance to sound financial administration. The protective custody of these assets can only be accomplished through adequate accounting procedures and records. In addition to stewardship or protective custody of a governmental unit's property, a good system of capital asset accounting permits the fixation of responsibility for custody and proper use of specific capital assets on individual public officials." South Dakota Codified Laws 5-24-1 through 8 list the requirements that the School District is subject to regarding the maintenance of capital asset records.

Condition Found

The listing of land, buildings, and various items of equipment did not provide sufficient documentation to support the amounts reported for general capital assets, enterprise capital assets, and depreciation expense. This resulted in diminished control over capital assets and can result in misleading information being presented to users of the financial statements. This comment has been carried forward since at least June 30, 1987.

Effect

Capital asset records did not contain adequate documentation to support the costs of general capital assets and enterprise capital assets, or depreciation expense.

Recommendation

We recommend the School District document the costs by copies of invoices, or reasonable estimates, with supporting documentation as to how the estimates were arrived at.

Management's Response

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

SCHEDULE OF CURRENT AUDIT FINDINGS

JUNE 30, 2013

(Continued)

Mark Chilson is the contact person responsible for the corrective action plan for this comment. Highmore-Harrold School District No 34-2 is aware of this problem and will attempt to establish proper capital asset records in the future.

Finding #2013-04

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Condition Found

The School District does not have an internal control system designed to provide for the preparation of the annual financial statements including required footnotes and disclosures, in accordance with generally accepted accounting principles, being audited. As auditors, we were requested to draft the financial statements.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response

Clint Buchholz is the contact person responsible for the corrective action plan for this comment. He stated that they understand that due to the small staff size, there will be concerns over internal control. The School District doesn't believe the concern validates the cost of additional staff.

Finding #2013-05

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles (GAAP).

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

SCHEDULE OF CURRENT AUDIT FINDINGS

JUNE 30, 2013

(Continued)

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response

Clint Buchholz is the contact person responsible for the corrective action plan for this comment. He stated that they understand that due to the small staff size, there will be concerns over internal control. The School District doesn't believe the concern validates the cost of additional staff.

OTHER AUDIT FINDINGS:

Finding #2013-01

This comment has already been stated under the section entitled "Internal Control-Related Findings - Material Weaknesses." See that section for more detail on the comment.

Finding #2013-03

This comment has already been stated under the section entitled "Internal Control-Related Findings - Material Weaknesses." See that section for more detail on the comment.

Finding #2013-06

Criteria

SDCL 5-18-18.3 requires School Districts to bid certain items that they purchase, including purchases of \$25,000 or more for materials, building supplies, or equipment, with certain exceptions.

Condition Found

The School District had repairs performed on the School's furnace which totaled over the \$25,000 limit. There was no bid obtained for this work that was performed, and there should have been.

Effect

The furnace repairs were not properly bid before the work was performed. Therefore, the School District was not in accordance with South Dakota Codified Law.

Recommendation

We recommend that the School District properly bid all items that are required to be bid before they are purchased.

Management's Response

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2013
(Continued)

Clint Buchholz is the contact person responsible for the corrective action plan for this comment. He stated, "The furnace repairs were an unusual situation. All the glycol had leaked out of the system. There is only one vendor/furnace repair company in the state. We did not know glycol cost \$200 per gallon. Being an emergency situation, we had to proceed as quickly as possible."

Closing Conference

The contents of this report were discussed with Clint Buchholz, Duane Sundberg, and Mark Chilson on July 22, 2013.

KOHLMAN, BIRSCHBACH & ANDERSON, LLP

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INDEPENDENT AUDITORS' REPORT

School Board

Highmore-Harrold School District No 34-2

Hyde County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Highmore-Harrold School District No 34-2, South Dakota, as of June 30, 2013, and for the year then ended, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Financial Statements as a Whole

Management has not recorded certain general capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Also, the capital asset records in the business-type activities cannot be relied upon. Accounting principles generally accepted in the United States of America require that those general capital assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. It is unknown what affect, if any, the lack of capital asset records has on the assets, net assets, and expenses of the business-type activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

The School District has not prepared notes to the financial statements. As a result, numerous disclosures required by generally accepted accounting principles are not made a part of these financial statements.

Adverse Opinion

In our opinion, because of the significance of the matters discussed in the “Basis for Adverse Opinion on Financial Statements as a Whole” paragraph, the financial statements referred to above do not present fairly the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Highmore-Harold School District No 34-2, South Dakota, as of June 30, 2013, or the respective changes in financial position or, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The School District has omitted the Management’s Discussion and Analysis (MD&A) and the Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining nonmajor fund financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, because of the significance of the matters discussed in the “Basis for Adverse Opinion on Financial Statements as a Whole” paragraph, the combining schedules referred to above do not present fairly the respective financial position as of June 30, 2013, and the respective changes in financial position for the year then ended.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 12, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with

certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

Kohlman, Bierschbach & Anderson, LLP

May 12, 2014

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF NET POSITION
JUNE 30, 2013

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 1,953,594	\$ 9,831	\$ 1,963,425
Investments	4,234,247	-	4,234,247
Taxes receivable	1,074,591	-	1,074,591
Internal balances	1,778	(1,778)	-
Inventories	17,149	783	17,932
Other assets	210,879	633	211,512
Restricted Assets:			
Cash and cash equivalents	3,926	-	3,926
Capital Assets:			
Land, improvements and construction in progress	6,000	-	6,000
Other capital assets, net of depreciation	6,271,807	22,763	6,294,570
TOTAL ASSETS	<u><u>\$13,773,971</u></u>	<u><u>\$ 32,232</u></u>	<u><u>\$13,806,203</u></u>
LIABILITIES:			
Accounts payable	\$ 43,853	\$ 336	\$ 44,189
Other current liabilities	419,927	5,871	425,798
Deferred revenue	1,070,026	3,782	1,073,808
Noncurrent Liabilities:			
Due within one year	25,344	-	25,344
Due in more than one year	2,010,992	-	2,010,992
TOTAL LIABILITIES	<u><u>3,570,142</u></u>	<u><u>9,989</u></u>	<u><u>3,580,131</u></u>
NET POSITION:			
Net investment in capital assets	4,264,197	22,763	4,286,960
Restricted for:			
Capital outlay	1,157,952	-	1,157,952
Special education	1,469,281	-	1,469,281
Pension	212,171	-	212,171
Debt service	502,409	-	502,409
School supplies	3,926	-	3,926
Unrestricted (Deficit)	2,593,893	(520)	2,593,373
TOTAL NET POSITION	<u><u>10,203,829</u></u>	<u><u>22,243</u></u>	<u><u>10,226,072</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$13,773,971</u></u>	<u><u>\$ 32,232</u></u>	<u><u>\$13,806,203</u></u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$1,529,176	\$ -	\$ 217,884	\$(1,311,292)	\$ -	\$(1,311,292)
Support services	1,012,077	15,112	3,250	(993,715)	-	(993,715)
*Interest on long-term debt	30,430	-	-	(30,430)	-	(30,430)
Cocurricular activities	157,178	17,813	-	(139,365)	-	(139,365)
Total Governmental Activities	2,728,861	32,925	221,134	(2,474,802)	-	(2,474,802)
Business-Type Activities:						
Food service	145,152	81,000	55,839	-	(8,313)	(8,313)
Drivers education	4,041	6,500	-	-	2,459	2,459
Total Business-Type Activities	149,193	87,500	55,839	-	(5,854)	(5,854)
Total Primary Government	\$2,878,054	\$ 120,425	\$ 276,973	(2,474,802)	(5,854)	(2,480,656)
* The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.		General Revenues:				
		Taxes:				
		Property taxes		2,335,041	-	2,335,041
		Utility taxes		246,419	-	246,419
		Revenue from state sources:				
		State aid		412,064	-	412,064
		Other		65,466	-	65,466
		Revenue from federal sources		80,209	-	80,209
		Unrestricted investment earnings		34,295	-	34,295
		Other general revenues		39,256	-	39,256
		Transfers		(11,555)	11,555	-
		Total General Revenues and Transfers		3,201,195	11,555	3,212,750
CHANGE IN NET POSITION				726,393	5,701	732,094
NET POSITION - BEGINNING				9,477,436	16,542	9,493,978
NET POSITION - ENDING				\$10,203,829	\$ 22,243	\$10,226,072

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2013

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 673,301	\$ 441,058	\$ 426,122	\$ 413,113	\$ 1,953,594
Investments	2,147,764	750,000	1,035,189	301,294	4,234,247
Taxes receivable - current	529,611	447,270	93,144	-	1,070,025
Taxes receivable - delinquent	2,875	924	594	173	4,566
Due from Food Service Fund	1,778	-	-	-	1,778
Due from federal government	71,986	-	32,045	-	104,031
Due from state government	91,365	-	-	-	91,365
Inventory of supplies	17,149	-	-	-	17,149
Prepaid expenses	15,483	-	-	-	15,483
Restricted cash and cash equivalents	3,926	-	-	-	3,926
TOTAL ASSETS	<u>\$ 3,555,238</u>	<u>\$ 1,639,252</u>	<u>\$1,587,094</u>	<u>\$ 714,580</u>	<u>\$ 7,496,164</u>
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 9,823	\$ 34,030	\$ -	\$ -	\$ 43,853
Contracts payable	171,208	-	21,359	-	192,567
Due to federal government	201,633	-	-	-	201,633
Payroll deductions and withholdings and employer matching payable	22,418	-	3,309	-	25,727
Deferred revenue	532,486	448,194	93,739	173	1,074,592
TOTAL LIABILITIES	<u>937,568</u>	<u>482,224</u>	<u>118,407</u>	<u>173</u>	<u>1,538,372</u>
FUND BALANCES:					
Nonspendable	32,632	-	-	-	32,632
Restricted	3,926	1,157,028	1,468,687	714,407	3,344,048
Assigned	342,008	-	-	-	342,008
Unassigned	2,239,104	-	-	-	2,239,104
TOTAL FUND BALANCES	<u>2,617,670</u>	<u>1,157,028</u>	<u>1,468,687</u>	<u>714,407</u>	<u>5,957,792</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,555,238</u>	<u>\$ 1,639,252</u>	<u>\$1,587,094</u>	<u>\$ 714,580</u>	<u>\$ 7,496,164</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total Fund Balances - Governmental Funds \$ 5,957,792

Amounts reported for governmental activities in the statement of net position
are different because:

Capital assets used in governmental activities are not current financial resources
and therefore are not reported in the funds. 6,277,807

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the funds.

CO certificates	\$ 2,000,000	
Accrued interest	\$ 13,610	
Accrued leave	<u>\$ 22,726</u>	(2,036,336)

Assets, such as taxes receivable that are not available to pay for current period
expenditures, are deferred in the funds.

Taxes receivable	<u>\$ 4,566</u>	<u>4,566</u>
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Net Position - Governmental Activities \$ 10,203,829

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 1,138,278	\$ 825,827	\$ 287,304	\$ 51,858	\$ 2,303,267
Prior years' ad valorem taxes	12,172	7,377	4,786	1,334	25,669
Tax deed revenue	391	-	-	-	391
Utility taxes	246,419	-	-	-	246,419
Other taxes	5,099	-	-	-	5,099
Penalties and interest on taxes	3,465	2,161	1,327	343	7,296
Earnings on investments and deposits	17,412	5,966	10,133	784	34,295
Cocurricular activities:					
Admissions	17,813	-	-	-	17,813
Other revenue from local sources:					
Rentals	934	-	-	-	934
Contributions and donations	1,322	-	-	-	1,322
Charges for services	13,783	-	1,329	-	15,112
Other	9,052	-	4	-	9,056
Revenue from Intermediate Sources:					
County sources:					
County apportionment	17,008	-	-	-	17,008
Other	5,783	-	-	-	5,783
Revenue from State Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid	477,530	-	-	-	477,530
Restricted grants	3,250	-	-	-	3,250
Revenue from Federal Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid received directly from federal government	80,209	-	-	-	80,209
Restricted grants-in-aid received from federal government through the state	133,147	-	84,737	-	217,884
TOTAL REVENUE	2,183,067	841,331	389,620	54,319	3,468,337
EXPENDITURES:					
Instruction:					
Regular programs:					
Elementary	595,819	27,822	-	26,447	650,088
High school	396,312	57,947	-	17,106	471,365
Special programs:					
Programs for special education	-	-	254,927	-	254,927
Educationally deprived	152,796	-	-	-	152,796

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013
(Continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Funds	Total Governmental Funds
Support Services:					
Pupils:					
Guidance	40,520	-	-	2,181	42,701
Psychological	-	-	6,135	-	6,135
Speech pathology	-	-	43,758	-	43,758
Student therapy services	-	-	5,346	-	5,346
Instructional staff:					
Improvement of instruction	21,400	-	-	209	21,609
Educational media	77,737	-	-	1,396	79,133
General administration:					
Board of education	24,165	916	-	-	25,081
Executive administration	94,443	-	-	4,139	98,582
School administration:					
Office of the principal	111,987	-	-	5,261	117,248
Other	519	-	-	-	519
Business:					
Fiscal services	48,172	-	-	-	48,172
Facilities acquisition and construction	-	372	-	-	372
Operation and maintenance of plant	124,372	173,797	-	4,509	302,678
Pupil transportation	4,675	141,327	-	-	146,002
Food services	-	1,863	-	2,462	4,325
Central:					
Staff	642	-	-	-	642
Special education:					
Administrative costs	-	-	41,302	-	41,302
Transportation costs	-	-	33	-	33
Other support services	26,026	-	-	-	26,026
Nonprogrammed Charges:					
Early retirement payments	3,983	-	-	-	3,983
Debt Services	-	30,430	-	-	30,430
Cocurricular Activities:					
Male activities	22,570	4,939	-	599	28,108
Female activities	24,114	478	-	799	25,391
Transportation	36,866	5,879	-	-	42,745
Combined activities	59,431	-	-	1,503	60,934
Capital Outlay	-	53,384	-	-	53,384
TOTAL EXPENDITURES	<u>1,866,549</u>	<u>499,154</u>	<u>351,501</u>	<u>66,611</u>	<u>2,783,815</u>
EXCESS OF REVENUE OVER (UNDER)					
 EXPENDITURES	<u>316,518</u>	<u>342,177</u>	<u>38,119</u>	<u>(12,292)</u>	<u>684,522</u>

OTHER FINANCING SOURCES (USES):

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013
(Continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Funds	Total Governmental Funds
Transfers in	16,099	-	-	255,246	271,345
Transfers out	(9,692)	(261,212)	(10,133)	-	(281,037)
Sale of surplus property	-	5,153	-	-	5,153
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,407</u>	<u>(256,059)</u>	<u>(10,133)</u>	<u>255,246</u>	<u>(4,539)</u>
NET CHANGE IN FUND BALANCES	322,925	86,118	27,986	242,954	679,983
FUND BALANCE - BEGINNING	<u>2,294,745</u>	<u>1,070,910</u>	<u>1,440,701</u>	<u>471,453</u>	<u>5,277,809</u>
FUND BALANCE - ENDING	<u>\$2,617,670</u>	<u>\$1,157,028</u>	<u>\$1,468,687</u>	<u>\$ 714,407</u>	<u>\$ 5,957,792</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 679,983

Amounts reported for governmental activities in the statement of activities
are different because:

This amount represents capital asset purchases which are reported as expenditures on the
fund financial statements but increase assets on the government-wide
statements. 53,384

Governmental funds recognize expenditures for amounts of compensated absences and early
retirement benefits actually paid to employees with current financial resources during the
fiscal year. Amounts of compensated absences earned by employees are not recognized
in the funds. In the statement of activities, expenses for these benefits are recognized when
the employees earn leave credits or elect to retire early.

Vacation Leave	\$ (4,276)	
Early Retirement	<u>\$ 3,983</u>	(293)

In both the government-wide and fund financial statements, revenues from property tax
levies are applied to finance the budget of a particular period. Accounting for revenues
from property tax accruals in the funds' statements differs from the accounting in the
government-wide statements in that the fund financial statements require the amounts to
be "available". This amount reflects the application of both the application period and
"availability criteria". (6,681)

Change in Net Position of Governmental Activities \$ 726,393

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

		Enterprise Funds	
	Food Service Fund	Other Enterprise Fund	Totals
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ -	\$ 9,831	\$ 9,831
Accounts receivable, net	633	-	633
Inventory of supplies	275	-	275
Inventory of stores purchased for resale	508	-	508
Total Current Assets	1,416	9,831	11,247
Capital Assets:			
Machinery and equipment - local funds	46,246	-	46,246
Machinery and equipment - federal assistance	5,065	-	5,065
Less: accumulated depreciation	(28,548)	-	(28,548)
Total Noncurrent Assets	22,763	-	22,763
TOTAL ASSETS	\$ 24,179	\$ 9,831	\$ 34,010
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ -	\$ 336	\$ 336
Contracts payable	5,027	-	5,027
Due to General Fund	1,778	-	1,778
Payroll deductions and withholdings and employer matching payable	844	-	844
Deferred revenue	3,782	-	3,782
Total Current Liabilities	11,431	336	11,767
NET POSITION:			
Net investment in capital assets	22,763	-	22,763
Unrestricted net position	(10,015)	9,495	(520)
TOTAL NET POSITION	12,748	9,495	22,243
TOTAL LIABILITIES AND NET POSITION	\$ 24,179	\$ 9,831	\$ 34,010

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

		Enterprise Funds	
	Food Service Fund	Other Enterprise Fund	Totals
OPERATING REVENUE:			
Food Sales:			
Student	\$ 67,702	\$ -	\$ 67,702
Adult	8,467	-	8,467
Other Charges for Goods and Services	4,831	6,500	11,331
TOTAL OPERATING REVENUE	81,000	6,500	87,500
OPERATING EXPENSES:			
Salaries	46,731	3,668	50,399
Employee benefits	16,335	-	16,335
Purchased services	1,581	-	1,581
Supplies	3,922	373	4,295
Cost of sales - purchased	66,684	-	66,684
Cost of sales - donated	8,803	-	8,803
Depreciation	1,096	-	1,096
TOTAL OPERATING EXPENSES	145,152	4,041	149,193
OPERATING INCOME (LOSS)	(64,152)	2,459	(61,693)
NONOPERATING REVENUE:			
State grants	1,143	-	1,143
Federal grants	45,893	-	45,893
Donated food	8,803	-	8,803
TOTAL NONOPERATING REVENUE	55,839	-	55,839
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(8,313)	2,459	(5,854)
CAPITAL CONTRIBUTIONS	1,863	-	1,863
TRANSFERS IN	9,692	-	9,692
CHANGE IN NET POSITION	3,242	2,459	5,701
NET POSITION - BEGINNING	9,506	7,036	16,542
NET POSITION - ENDING	\$ 12,748	\$ 9,495	\$ 22,243

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

		Enterprise Funds	
	Food Service Fund	Other Enterprise Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 84,440	\$ 6,500	\$ 90,940
Cash payments to employees for services	(60,788)	(3,668)	(64,456)
Cash payments to suppliers of goods and services	<u>(72,606)</u>	<u>(416)</u>	<u>(73,022)</u>
Net cash provided (used) by operating activities	<u>(48,954)</u>	<u>2,416</u>	<u>(46,538)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfer from General Fund	9,692	-	9,692
Due to General Fund	(7,774)	-	(7,774)
Operating grants	<u>47,036</u>	<u>-</u>	<u>47,036</u>
Net cash provided by noncapital financing activities	<u>48,954</u>	<u>-</u>	<u>48,954</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	2,416	2,416
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>	<u>7,415</u>	<u>7,415</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ -</u>	<u>\$ 9,831</u>	<u>\$ 9,831</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>			
OPERATING INCOME (LOSS)	\$ (64,152)	\$ 2,459	\$ (61,693)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Depreciation	1,096	-	1,096
Value of donated commodities used	8,803	-	8,803
Change in assets and liabilities:			
Accounts receivable	(342)	-	(342)
Inventories	(419)	-	(419)
Accounts and other payables	280	(43)	237
Deferred revenue	3,782	-	3,782
Accrued wages payable	<u>1,998</u>	<u>-</u>	<u>1,998</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (48,954)</u>	<u>\$ 2,416</u>	<u>\$ (46,538)</u>

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Value of commodities received	\$ 8,803	\$ -	\$ 8,803
Equipment purchased by Capital Outlay Fund	\$ 1,863	\$ -	\$ 1,863

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Private-Purpose Trust Funds	Agency Funds
ASSETS:		
Cash and cash equivalents	\$ 8,181	\$ 210,383
Investments	<u>13,830</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 22,011</u>	<u>\$ 210,383</u>
LIABILITIES:		
Amounts held for others	<u>\$ -</u>	<u>\$ 210,383</u>
TOTAL LIABILITIES	<u>-</u>	<u>210,383</u>
NET POSITION:		
Held in trust for scholarships	<u>22,011</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 22,011</u>	<u>\$ 210,383</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013

	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
Contributions and donations	\$ 6,816
Earnings from investments and deposits	<u>124</u>
TOTAL ADDITIONS	<u>6,940</u>
DEDUCTIONS:	
Trust deductions for scholarships	<u>6,150</u>
TOTAL DEDUCTIONS	<u>6,150</u>
CHANGE IN NET POSITION	790
NET POSITION - BEGINNING	<u>21,221</u>
NET POSITION - ENDING	<u><u>\$ 22,011</u></u>

SUPPLEMENTARY INFORMATION

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Pension Fund	Bond Redemption (Debt Service) Fund	Total Nonmajor Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 211,998	\$ 201,115	\$ 413,113
Investments	-	301,294	301,294
Taxes receivable - delinquent	173	-	173
TOTAL ASSETS	<u>\$ 212,171</u>	<u>\$ 502,409</u>	<u>\$ 714,580</u>
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Deferred revenue	\$ 173	\$ -	\$ 173
TOTAL LIABILITIES	<u>173</u>	<u>-</u>	<u>173</u>
FUND BALANCES:			
Restricted	<u>211,998</u>	<u>502,409</u>	<u>714,407</u>
TOTAL FUND BALANCES	<u>211,998</u>	<u>502,409</u>	<u>714,407</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 212,171</u>	<u>\$ 502,409</u>	<u>\$ 714,580</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Pension Fund	Bond Redemption (Debt Service) Fund	Capital Project Fund	Total Nonmajor Governmental Funds
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 51,858	\$ -	\$ -	\$ 51,858
Prior years' ad valorem taxes	1,334	-	-	1,334
Penalties and interest on taxes	343	-	-	343
Earnings on investments and deposits	-	784	-	784
TOTAL REVENUE	<u>53,535</u>	<u>784</u>	<u>-</u>	<u>54,319</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	26,447	-	-	26,447
High school	17,106	-	-	17,106
Support Services:				
Pupils:				
Guidance	2,181	-	-	2,181
Instructional staff:				
Improvement of instruction	209	-	-	209
Educational media	1,396	-	-	1,396
General administration:				
Executive administration	4,139	-	-	4,139
School administration:				
Office of the principal	5,261	-	-	5,261
Business:				
Operation and maintenance of plant	4,509	-	-	4,509
Food services	2,462	-	-	2,462
Cocurricular Activities:				
Male activities	599	-	-	599
Female activities	799	-	-	799
Combined activities	1,503	-	-	1,503
TOTAL EXPENDITURES	<u>66,611</u>	<u>-</u>	<u>-</u>	<u>66,611</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(13,076)</u>	<u>784</u>	<u>-</u>	<u>(12,292)</u>
OTHER FINANCING SOURCES:				
Transfers in	-	166,667	88,579	255,246
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>166,667</u>	<u>88,579</u>	<u>255,246</u>
NET CHANGE IN FUND BALANCES	(13,076)	167,451	88,579	242,954
FUND BALANCE - BEGINNING	<u>225,074</u>	<u>334,958</u>	<u>(88,579)</u>	<u>471,453</u>
FUND BALANCE - ENDING	<u>\$ 211,998</u>	<u>\$ 502,409</u>	<u>\$ -</u>	<u>\$ 714,407</u>